Pricing & Budget Scoring

- Two critical elements for Standby Support: Selection Criteria and Pricing
- NEI will cover our position on selection criteria
- Pricing and budget scoring;
  - must be reflective of actual risk in the policy
  - should be modeled after successfully run, existing government programs such as US Ex-Im Bank or OPIC
  - should be adjusted downward due to the insuring party exercising some direct control over the risks to be covered
  - of final four projects should be priced at a discount to the first two projects because of the "waiting period effect" – time lag of when losses occur and when coverage begins
- Budget scoring should be net of fees <u>and</u> recoveries
- Budget scoring should be reflective of lessons learned since the inception of the Credit Reform Act of 1990

imagination at work

Reasonably Priced; Zero Budget Impact

Example 1

- $1.6BN (1550MW) power plant in Mexico
- US Ex-Im Bank coverage of political and commercial risks
- 0.60% per year for loan guarantee
- $250MM OPIC coverage for government breach of contract and denial of justice
- 0.90% per year for political risk insurance
- US Ex-Im & OPIC programs in Mexico have zero budget impact at this pricing

Example 2

- 50MW wind farm in Bulgaria
- Breach of contract coverage
- 20 year tenor
- Coverage available from OPIC, MIGA or Private Sector
- Average risk premium quote: 0.80% per year on the covered amount
- Risk to US government covered by risk premium with zero budget impact